HOUSING MARKET OUTLOOK

Windsor

Canada Mortgage and Housing Corporation
www.cmhc.ca

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New Home Market

Starts Weakening

In 2006 single-detached starts will drop 14.4 per cent from the previous year to total 950 units. The decline will be due to rising mortgage rates and increasing choice in the resale market. Single-detached construction in the Windsor census metropolitan area (CMA) continues to retreat from the cyclical peak reached in 2002.

The average new single-detached home price is forecast to increase nine per cent in 2006 to be above $255,000. The average price of a new single-detached home was just under $235,000 in 2005, an increase of 10 per cent from 2004. Factors which will pull prices up include skilled labour shortages, rising material costs and higher development charges. The New House Price Index (NHPI) which has generally increased less than one per cent a year in Windsor, jumped up three per cent in 2005. The land only component increased seven per cent.

The steady increase of single-detached new home prices along with the large gap between new home and existing home prices will drive first time buyers into the resale market.

In 2006 the new home market will be dominated by move-up home buyers who have accumulated substantial equity. Higher end homes have been increasing market share and this trend will be carried into 2006. The supply of new homes priced under $175,000 continues to shrink. Single-detached homes in this price range represented 29 per cent of total starts in 2005 compared to 40 per cent in 2004.

Upscale condominium apartment and townhouse projects targeting empty nesters, along with an affordable rental development will contribute to 428 multiple family home starts in 2006. Multiple family home construction has been strong during the past several years.

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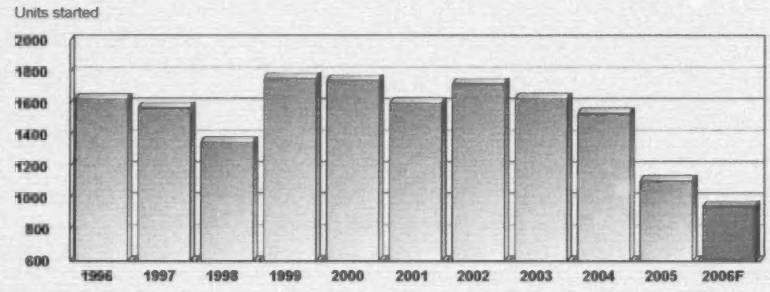
Single Detached Housing Starts Slip



Source: CMHC

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Canada

Empty-nesters have been the driving force behind this demand. Empty nesters account for 17 per cent of the total population in Windsor-Essex and their percentage is expected to grow as baby boomers age.

Resale Market

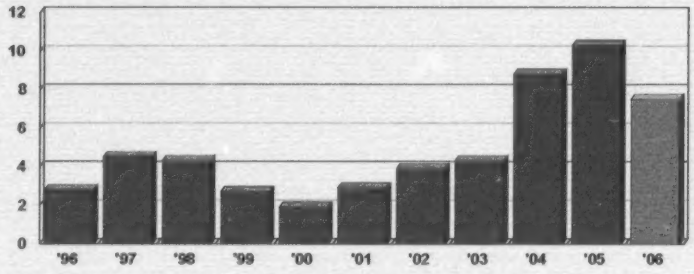
Strong Sales With Greater Choice

In the first quarter of 2006, MLS home sales in the Windsor-Essex area, while down slightly from last year, were healthy and close to the record level of 2004. The strong start will guide total sales in 2006 to be the third highest with a volume of 5,550 homes, down two per cent from the previous year level. Sales activity will l be buoyed by stronger employment levels and positive demographic factors.

In fact, job growth and wage increases combined with healthy net migration since 2002 will all contribute to the buoyant resale market activity.

While rising prices in the resale market have attracted numerous new listings from homeowners eager to cash in on capital gains, new listings in 2006 will continue to rise and take some of the pressure off of home prices.

Apartment Vacancies Windsor CMA



Source: CMHC

Strong supply, coupled with lower sales, will keep the resale market in a balanced state. Neither the buyer nor the seller will have a negotiating advantage and price increases will be in line with inflation. The sales-to-new listings ratio, a leading indicator of future price growth, will move closer to the bottom boundary of a balanced market range.

The average MLS sales price is forecast to reach $165,500. More choice for buyers will create an environment where homes stay on the market longer. The result will be an easing in the pace of price growth to 1.5 per cent from five per cent in 2005.

Rental Market

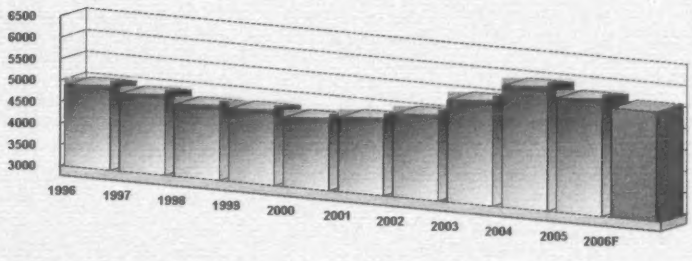
Vacancy Rate Peaks

Vacancy rates are forecast to drop to 7.5 per cent in 2006 as the cost gap between owning and renting widens. Similarily, strong immigration and healthy youth job growth will further support rental demand.

In 2005, landlords were aggressively competing for tenants as the vacancy rate for apartments in the Windsor CMA hit 10.3 per cent, the highest in the county. The rental market has been softening since 2004 as lower borrowing costs made homeownership more than competitive to rental costs. Rental increases have been less than inflation since. A high level of vacancies in 2005 suggests that a tenant market will be sustained In 2006,

Average rents are forecast to move up by less than one per cent to $784 for a two bedroom units as the market remains competitive.

MLS Sales Still Strong



Source: WEREB, Forecast: CMHC

Economic Trends

Employment to Grow in 2006

Job creation is an essential ingredient feeding into housing demand. According to the Manpower survey, hiring intentions in the area for the second quarter of 2006 are positive for the coming months. Employment in the CMA is forecast to edge higher by two per cent in 2006. This comes on the tail of two years when the local economy struggled with a higher Canadian dollar.

Construction and manufacturing posted the strongest employment gains in 2005 of 6.5 and 7.5 per cent in the Windsor CMA. Non-residential construction will remain strong in 2006. Major projects include the DaimlerChrysler paint shop, the renovations at Casino Windsor and an ethanol plant.

For 2006, the information, culture and recreational sector will be at risk following a 35 per cent decline in 2005. Threats to this sector include the high Canadian dollar, competition in Detroit from newer casinos and the upcoming smoking ban in workplaces and public spaces which may affect up to 40 per cent of the visits to Casino Windsor. Cross-border tourism will also be negatively affected by these factors as well as on going delays at the border due to security concerns and traffic congestion.

Consumer confidence climbed after a sharp drop in the latter half of 2005. The Consumer Attitudes Survey reported 52 per cent of Ontarians felt it was a good time to make a major purchase. In the Windsor CMA, consumer confidence is challenged by rising consumer bankruptcies.

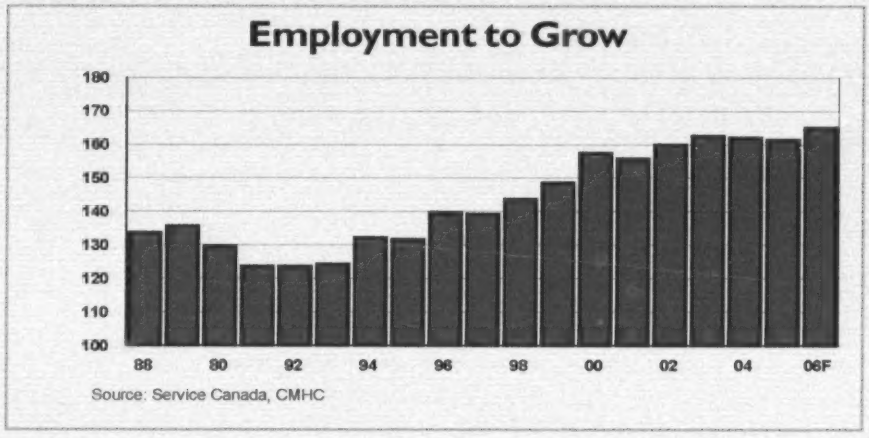
Mortgage Rate Outlook

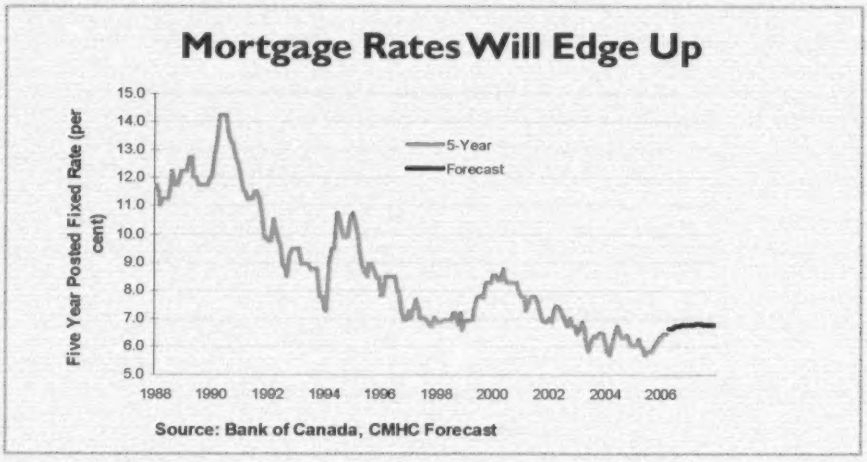
Mortgage Rates Will Rise Moderately in 2006

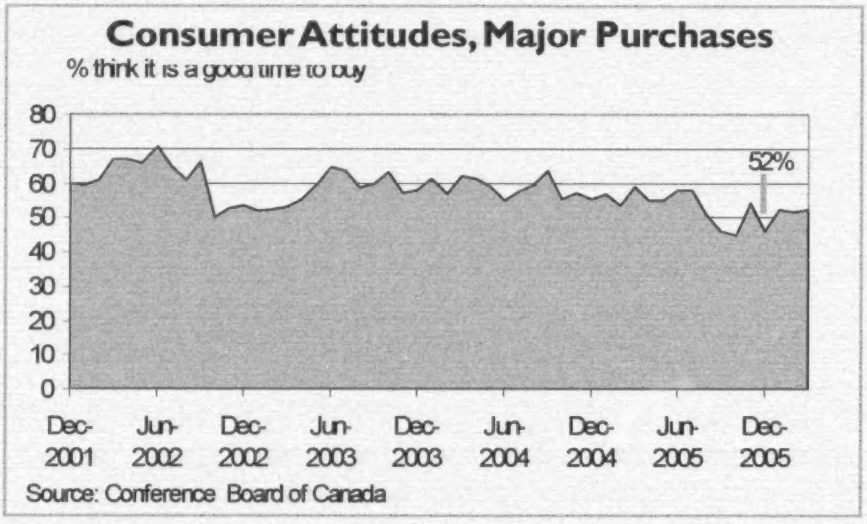
Short-term mortgage rates move in tandem with the prime rate while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond markets.

Posted mortgage rates are forecast to rise moderately as interest rates head up in 2006. However, tame inflation, a strong Canadian dollar vis-à-vis the U.S. dollar, and slower economic growth in Canada will restrain the size and speed of Canadian interest and mortgage rates increases in 2006.

While still low by historical norms, mortgage rates are expected to rise gradually by 50-75 basis points in 2006. One, three and five-year mortgage posted rates are forecast to be in the 5.75-6.75, 6.00-6.75, and 6.25-7.25 per cent range respectively in 2006.







Windsor Census Metropolitan Area

Forecast Summary

RESALE MARKET	2002	2003	2004	2005	2006(f)	%Change
MLS* Sales	5265	5300	5832	5661	5550	-3.1%
MLS Average Price	$149,206	$152,000	$159,597	$163,000	$165,500	1.2%
MLS New Listings April	797	831	1,031	1,241	1,300	1.0%
Sales-to-New Listings Ratio	61.3%	54.2%	53.8%	42.0%	40.0%	
NEW HOME MARKET						
Single-detached starts	1726	1632	1539	1110	950	-14.4%
Semi-detached starts	350	213	194	96	70	-27%
Row/Apt Ownership starts	384	331	427	380	320	-15.6%
Apt Rental/Life-lease starts	30	61	127	160	88	-45.0%
Total Starts	2490	2237	2287	1496	1428	-4.6%
Average New Home Price	$191,437	$206,000	$213,469	$234,959	$257,000	9.4%
RENTAL MARKET						
Apartment Vacancy Rate	3.9	4.3	8.8	10.3	7.5	
Average 2 Bedroom Rent	$765	$776	$776	$780	$784	0.4%
ECONOMIC ASSUMPTIONS						
Mortgage Rate (1-Year Term, %)	5.17	4.84	4.59	5.06	6.12	
Mortgage Rate (5-Year Term, %)	7.02	6.39	6.23	5.99	6.61	
Employment (000's)	158.8	163	161.9	161.3	165	2.3%
Net Migration	3451	2230	3000	3000	3200	6.7%

*Multiple Listing Service, (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

Source: Windsor-Essex County Real Estate Board, HRDC, Bank of Canada, CMHC

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